

942631



Amstrad plc

Annual Report
1987/88



Contents

	Page
Results at a Glance	1
Directors and Advisers	2
Notice of Meeting	3
Chairman's Statement	4
Directors' Report	7
Auditors' Report	9
Consolidated Profit and Loss Account	10
Consolidated Balance Sheet	11
Balance Sheet	12
Consolidated Statement of Source and Application of Funds	13
Statement of Accounting Policies	14
Notes to the Financial Statements	15
Shareholder Information	21
Financial Record as a Public Company	22
Amstrad Group Operating Companies	23



Results at a Glance for the year ended 30th June, 1988

Amstrad plc

	1988		1987	
Turnover:				
By geographical territory	£m	% of turnover	£m	% of turnover
U.K.	265.7	42.5	232.5	43.5
France	121.2	19.4	92.8	18.1
Germany	29.8	4.8	63.9	12.5
Spain	108.5	17.3	62.5	12.2
Italy	27.0	4.3	5.2	1.0
Other European Countries	20.8	4.9	36.1	7.1
Asia	4.2	0.7	3.9	0.8
Australasia	4.5	0.7	11.2	2.2
North America	33.7	5.4	13.7	2.6
Total	625.4	100.0	511.8	100.0
By class of business	£m	% of turnover	£m	% of turnover
Home computers	135.9	21.7	160.6	31.4
Professional computers	338.5	54.1	240.6	47.0
Printers	31.6	5.1	22.3	4.4
Audio	30.2	4.8	35.9	7.0
Video	89.2	14.3	52.4	10.2
Total	625.4	100.0	511.8	100.0
Profit on ordinary activities before taxation	160.4	25.6	135.7	26.5
Profit on ordinary activities after taxation	105.1	16.8	93.4	18.2
Dividends per share	1.40p		0.70p	
Earnings per share	18.99p		17.13p	
Dividend cover	13.6		24.5	

Dividend payment

The final dividend will be posted on 29th November, 1988 to ordinary shareholders who are registered on the books of the company at the close of business on 24th October, 1988.

COMPANIES
14 JAN 1989
M

Directors and Advisers

The Board of Directors

A. M. Sugar (Chairman and Managing Director)

J. L. Rice BA

M. M. Miller BA

R. J. Watkins

K. Ashcroft FCA, FCMA

C. J. Heald

M. F. Vannier (France)

J. L. Dominguez Morales (Spain)

N. F. Shearman FCCA (Non-Executive Director)

Secretary

J. L. Rice BA

Registered Office

Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

Auditors

Touche Ross & Co.
Chartered Accountants,
Hill House,
1 Little New Street,
London EC4A 3TR

Registrars

Lloyds Bank Plc
Goring-by-Sea,
Worthing,
Sussex BN12 6DA

Stockbrokers

James Capel & Co.
6 Bevis Marks
London EC3A 7JQ

Clearing Bankers

Lloyds Bank Plc
72 Lombard Street,
London EC3P 3BT

Merchant Bankers

Kleinwort, Benson Limited
20 Fenchurch Street,
London EC3P 3DB

Solicitors

Herbert Smith & Co.
Walling House,
35-37 Cannon Street,
London EC4M 5SD

Estate Agents and Surveyors

Goldstein Leigh
43 Portland Place,
London W1N 3AG



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 18th ANNUAL GENERAL MEETING of Amstrad plc will be held at the Tower Suite, The Tower Thistle Hotel, St Katharines Way, London E1 9LD, on 28th November, 1988, at 3 p.m. for the following purposes:

To transact the following ordinary business:

1. To receive and adopt the financial statements for the year ended 30th June, 1988 and the directors' and auditors' reports thereon.
2. To declare a dividend.
3. To re-elect directors.
4. To reappoint the auditors and authorise the directors to fix their remuneration.

To transact the following special business:

5. To consider, and if thought fit, pass the following resolutions which will be proposed:

(a) as a special resolution

That the directors be and they are hereby authorised, pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities, within the meaning of Section 94 of the Act, pursuant to the authority given to the directors by the ordinary resolution passed on 6th June, 1986 as if the powers of Section 89(1) of the Act did not apply to the allotment, provided that this authority shall be limited to:

- (a) the allotment of equity securities in connection with any rights issue in favour of holders of ordinary shares in the capital of the company notwithstanding that by reason of such exclusions as the directors may deem necessary to deal with problems arising in any overseas territory in connection with fractional entitlements or otherwise howsoever, the ordinary shares to be allotted are not offered to all of such holders in proportion to the number of ordinary shares held by them respectively; and
- (b) the allotment of equity securities up to an aggregate nominal value of £1,800,000 otherwise than pursuant to paragraph (a) above.

(b) as an ordinary resolution

- (a) the Amstrad Unapproved Share Option Scheme (a copy of the draft rules which is produced to the meeting, and signed by the chairman for the purpose of identification), be hereby approved and adopted;
- (b) the directors be hereby authorised to do all acts and things which they consider necessary or expedient to establish and carry the Scheme into effect;
- (c) The rules of The Amstrad Share Option Scheme approved by the Inland Revenue on the 2nd July 1985 be amended as shown in black on the copy which is produced to the meeting and signed by the chairman for the purposes of identification; and
- (d) the directors be authorised to do all acts and things which they consider necessary to bring the amendments into effect, including the making of any amendments as are necessary to retain the approval of the Inland Revenue under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988.

6. To transact any other ordinary business of the company.

28th September, 1988

Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

By order of the board
J. L. Rice
Secretary

Notes

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. A form of proxy is enclosed with this notice for use in connection with the business set out above. This form of proxy must reach the registrars of the company no later than forty eight hours before the meeting.
- 2 Mr A. M. Sugar, Mr J. L. Rice, Mr M. M. Miller, Mr P. J. Watkins, Mr K. Ashcroft, Mr C. J. Heald and Mr J. L. Dominguez Morales have service contracts with the company. These contracts are available for inspection at the registered office of the company during office hours, will be available for inspection at the annual general meeting for at least 15 minutes prior to and during the meeting.



Chairman's Statement

Once again I am pleased to report record sales of £625.4 million, an increase of 22.2% on last year's sales, together with record pre-tax profits of £160.4 million, up 18.2% compared with last year.

The directors have again decided to recommend an increase of 100% in the final dividend which, together with a similar increase paid on the interim, will give a total of 100.0% for the year over last year. The final dividend of 1.0p per share will, together with the interim dividend already paid of 0.4p per share, be equivalent to 1.87p per share with the related tax credit at the current rate of 25/75ths.

The Year

In last year's report I stated that the year to 30th June, 1988 was to be a period of seed planting and consolidation. The seed planting referred to was the pursuit of our strategy of organic growth through the expansion of our markets combined with the development and introduction of new products.

By consolidation, I hoped to indicate that some adjustments would be necessary as we took over our established overseas distributors or set up our own overseas subsidiaries.

During the year we formed wholly owned distribution companies in Italy, Germany, Holland, Belgium and Australia, at the same time running down our obligations to our distributors in those countries.

We started the year knowing full well that we would lose sales volumes in those markets, for we had to allow our distributors to deplete their stocks in an orderly fashion in order to secure long term stability in those markets. At the same time, we had to incur the set-up costs of our new subsidiaries and to build up stock on our own account to satisfy the demand on an ongoing basis.

In the past, group sales and profits in those markets were achieved at the time of shipment to the importer, because they were third party customers. By contrast, sales and profits made by our own subsidiaries are achieved only when they sell to third parties in their own markets. It is, therefore, clear that there was a "hollow" period — the time when we stopped shipping to importers and during which we set up our own distribution companies.

The acquisition of our Spanish and American distributors caused a similar vacuum during this period, as the credit of sales and profits were postponed until their shipments were sold to third party customers. That period is now over and the full benefit from these markets will show in the next financial year.

The changes we have made during the past year are a major investment in the future and I am therefore delighted that we managed to achieve growth in sales and profits during this period of change.

During the year we had continued success with both new and existing products. Whilst not wishing to sound like an old broken record, I cannot resist repeating that this company does not survive on new products alone. In fact, as the following table shows, our sales for the year were spread over five major product groups:

	Year ended 30th June, 1988		Year ended 30th June, 1987	
	£M	% of turnover	£M	% of turnover
Home Computers	135.9	21.7	160.6	31.4
Professional Computers	338.5	54.1	240.6	47.0
Printers	31.6	5.1	22.3	4.4
Audio	30.2	4.8	35.9	7.0
Video	89.2	14.3	52.4	10.2
TOTAL	625.4	100.0	511.8	100.0

As an indication of the scale of our operation, we sold nearly 700,000 home computers, approaching 700,000 professional computers, some 400,000 audio units, 450,000 video products and 250,000 printers.

The PC 1640 computer has been a considerable success during the period, and we have made many inroads into the corporate market with this model. The new PCW 9512 word processor has sold very well, as has the more recently introduced PPC range of portable computers. The success of the TVR3 combined television and video recorder has given us the confidence to invest in more product development in this area.

Further stimulus has been given to the sales of existing products through the development of several innovative marketing strategies created by our world-wide marketing organisation.

Geographic Results

Proof that our overseas diversification is working well is shown by the sales by geographic area. The UK had a good year, despite being short of products, notably the PC 1640 range. Sales in the UK at £266 million showed 19% growth over last year. Italy recorded sales of £27 million, representing 4% of Group turnover. Spain showed major growth of 74% over last year. In this territory the PC 1640 and the CPC range of home computers were the subject of major promotions and these were responsible for much of this growth. France also recorded greatly increased sales; up from £93 million to £121 million. Much of this growth is due to the success of our professional computers and the introduction of our video products into that market. Sales in North America totalled £34 million and represented 5% of group turnover.

I would like to emphasise that our activities in all markets are profitable. We have continued to resist, particularly in North America, any temptation to mount massive promotional campaigns, preferring a more careful and profitable approach to the build up of distribution networks.

As I have already explained, sales in Germany, Holland and Belgium have been negligible during the period of wind-down with our distributors in those markets. It may be interesting to note that these three markets jointly accounted for over 12% of group turnover in the last financial year.

Strategy

I repeat once again that our strategy is to pursue organic growth through the development of new and existing markets with new products. We intend to maintain this strategy and to keep faith with our management philosophy of running the group with a small team of flexible decision makers.

During the year we acquired the Fidelity brand name. We will use this brand name in the long term on our audio, VCR and television products. The Fidelity name will be gradually introduced on existing products and new products, with the Amstrad name being phased out of these product categories.

The Sinclair brand name will be adopted for the entertainment sector of our home computer products and the Amstrad brand will be reserved exclusively for our business products.

This year has seen the creation of many overseas subsidiaries. As I have previously explained, we have absorbed the pains and costs of this move in this financial year, so we are now poised to go forward and exploit those markets with our full range of products and the winning Amstrad marketing philosophy.

In July we announced our cross licensing agreement with IBM. This agreement allows both Amstrad and IBM to utilise each other's Personal Computer patents. This agreement endorses Amstrad's position as one of the world's largest makers of personal computers and removes any clouds of uncertainty regarding our right to be active in this market.

New Product Development

During the year we announced a number of exciting product developments and signalled our intention to enter new market sectors, the first of which was the Camcorder market. We believe that this sector is ready for the "Amstrad Effect". In the past, Camcorders have served a high profile consumer, but we intend to make our Videomatic a mass market product, not only in the UK but wherever we operate an overseas subsidiary.

I feel confident that our marketing expertise will turn this product into a major success and mark it out as another Amstrad milestone.

In June we announced our intention to enter the satellite receiver market, believing that it will be an exciting long term venture.

Both of these products are newcomers to the Amstrad stable, and will provide additional sources of growth and profit in the second half of the current financial year.

During the year we announced two new VCR machines, both of which incorporate exclusive Amstrad "easy programming" design facilities. We expect these products to be very successful and anticipate that they will contribute well in the current financial year.

We have demonstrated that we no longer have to be the cheapest in the market to succeed. It is clearly our product innovation, expertise and marketing flair that will make these products successful.

On the audio front, we introduced four new units during the year and these now form a comprehensive family range. The sales and profits from this range will also make significant contributions to the current financial year.

On 13th September, on the eve of Europe's largest personal computer exhibition, we launched the PC 2000 series, our new range of business computers. These products have been under development for some time and include a range of 24 differently configured personal computers.

We may, in the past, have been criticised for being a little slow in introducing 20286 and 20386 processor based computers, but we always felt it important to observe the market trend on specification before entering this sector. The acclaim accorded by the industry and our world-wide customer base is a clear indication that here we have a long-life winning formula. Our patience and attention to detail and market needs has once again paid off.



Chairman's Statement (continued)

I predict that once we have been able to ramp up production and distribute in volume throughout our world-wide distribution networks, the success of the PC 2000 series will dwarf our past achievements. The introduction of the PC 2000 series will start to have a significant effect in the second half of the current financial year with a major effect in the following year.

This year has seen the introduction of many new products, all of which will play their part in securing the future prosperity of the group for many years to come. Nevertheless, we are still aggressively active in the development area and will make further announcements of products, still under development, which will carry us into yet another product area.

The Future

We are now active on our own account in most of the major world markets. Our marketing methods are basically the same wherever we operate. We have succeeded in winning a good customer base in all markets, from the mass merchants who retail leisure products to specialist computer stores which sell our business products. We have made many inroads into the corporate market with our business machines, and now that we are armed with more powerful "top end" machines, we plan to make a concerted effort to capture a much larger share of this valuable sector on a world wide basis. This will be achieved by forming new sections within our marketing teams and they will be dedicated to this task.

Amstrad has always determined its own destiny in terms of product planning and sales and marketing strategy. No outside influence has ever prevented us from pursuing our goals. We have always produced our goods in line with our requirements in a timely fashion and have been able to overcome obstacles placed in our way by our competitors or customers. We have never allowed rumours or speculation, from either the press or the financial community, to stand in our way.

For the first time, however, we have experienced an external factor over which we have had little control. I have already announced publicly that we are unable to secure enough DRAMS (memory chips used in our computers) to meet the demand of our computer sales. We are currently shifting the emphasis of our DRAM consumption into those products which are highest in sales value.

I believe that the supply situation will right itself by the second or third quarter of 1989, but until then we are in the frustrating situation of not being able to supply the market with the volume of machines it is demanding. We are, of course, not the only company faced with this problem. We are actively enhancing our relationships with DRAM manufacturers to ensure long term supplies, so this situation will not arise again.

For those who are close to the industry this message comes understandably as no great surprise. To the less informed it has stimulated a line of scepticism implying that my message is an excuse, perhaps a warning, on the future performance of the company.

I assure shareholders that this is no excuse but a straightforward statement of the facts and that the growth potential of our new products will be spread over a longer period of time.

Despite the DRAM shortages, our forecasts for the group's current financial year make me very confident that the year will show good growth with perhaps more emphasis on the second half.

Once again, I will take this opportunity to express my thanks to everyone in the Amstrad team, together with our suppliers, subcontractors and consultants for their effort and support, which I am sure will continue for many years to come.

A. M. Sugar
Chairman

28th September, 1988



Directors' Report

Amstrad plc

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30th June, 1988.

Principal activities

The company is engaged in the design, manufacture and distribution of consumer electronic and micro computing products.

Results

Turnover for the year was £625.4 million (1987 - £511.8 million). Profit before taxation was £160.4 million (1987 - £135.7 million). Profit transferred to reserves was £93.0 million (1987 - £89.6 million).

The activities of the group are dealt with in the chairman's statement.

Dividends

An interim dividend of 0.4p per share was paid on 11th April, 1988. The directors recommend the payment of a final dividend of 1.0p per share, making a total of 1.4p per share for the year.

Directors and directors' interests

The present membership of the board is set out below. Mr. J. L. Dominguez Morales was appointed on 1st October, 1987 at which time he held 6,873,284 ordinary shares in his name. Mme M. F. Vannier was appointed on 1st October, 1987 at which time she was a participant in the Share Option Scheme dated 23rd July, 1985, and held an option on 1,176,000 ordinary shares. Mr. M. M. Miller, Mr. R. J. Watkins and Mr. N. F. Shearman retire by rotation and offer themselves for re-election.

The expiry dates of service contracts for directors offering themselves for re-election are:

	Date of expiry
M. M. Miller	30th June, 1989
R. J. Watkins	30th June, 1989

No director had, during the year or at the end of the year, any material interest in any contract with the company.

Directors' interests	No. of ordinary shares beneficially held		Share Option Schemes	
	30th June, 1988	30th June, 1987	30th June, 1988	30th June, 1987
A. M. Sugar	249,018,750	249,218,750	—	—
J. L. Rice	53,150	57,050	1,176,000	1,176,000
N. F. Shearman	58,330	58,330	—	—
M. M. Miller	—	—	1,176,000	1,176,000
R. J. Watkins	—	—	1,176,000	1,176,000
K. Ashcroft	20,000	20,000	1,176,000	1,176,000
C. J. Heald	—	—	141,766	—
M. F. Vannier	—	—	1,176,000	1,176,000
J. L. Dominguez Morales	6,873,284	—	385,148	—

In addition Mr. N. F. Shearman held a non-beneficial interest in 745,000 shares (1987 - 745,000), and Mr. A. M. Sugar and Mr. N. F. Shearman jointly held a non-beneficial interest in 380,000 shares (1987 - 380,000). Changes to the above directors' shareholdings since 30th June, 1988 are shown below.

	Share options exercised	Shares retained from options exercised
J. L. Rice	1,176,000	826,000
M. M. Miller	1,176,000	776,000
R. J. Watkins	1,176,000	784,000
K. Ashcroft	1,176,000	880,000
* M. F. Vannier	1,176,000	1,061,000

No other changes in directors' interests as at 30th June, 1988 took place up to 20th September, 1988. Details of the Share Option Scheme are set out in note 21 to the financial statements.

Substantial shareholdings

Other than Mr. A. M. Sugar's interest, no other person had notified the company of an interest of 5% or more, in the issued ordinary share capital of the company as at 20th September, 1988.



Fixed assets

Details of movements in the fixed assets of the group and of the company during the year are disclosed in notes 9 and 10 to the financial statements.

Health and safety

In accordance with the provisions of the Health and Safety at Work etc., Act, 1974, the company has issued a written statement of its general policy with respect to the health, safety and welfare at work of its employees and the organisation and arrangements for carrying out that policy. The statement has been brought to the notice of all the employees of the company.

Employment of disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Employee involvement

It is the responsibility of each of the executive directors, and the managing directors of subsidiary companies, to ensure that the staff in their departments are fully informed of the group's affairs. The Share Option Scheme is designed to give senior management within the group both at home and abroad a stake in its future growth and success.

Political and charitable donations

No political or charitable contributions were made during the year (1987 — nil)

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

A resolution to reappoint Touche Ross & Co. as auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

28th September, 1988
Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

By order of the board
J. L. Rice
Secretary



Auditors' Report
Amstrad plc

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR

 **Touche Ross**
Chartered Accountants

To the members of Amstrad plc

We have audited the financial statements on pages 10 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th June, 1988, and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Act 1985.



28th September, 1988

Chartered Accountants



**Consolidated
Profit and Loss Account** for the year ended 30th June 1988
Amstrad plc

	Note	1988		1987	
		£000	£000	£000	£000
Turnover	1		625,426		511,798
Change in stocks of finished goods and work in progress			(14,541)		52,222
			<u>610,885</u>		<u>564,020</u>
Other operating income			1,838		858
			<u>612,723</u>		<u>564,878</u>
Raw materials and consumables		(382,046)		(399,998)	
Other external charges		(47,175)		(20,470)	
Staff costs	2	(15,781)		(7,261)	
Depreciation and other amounts written off intangible and tangible fixed assets		(2,759)		(1,645)	
Other operating charges		(9,488)		(3,783)	
			<u>(457,249)</u>		<u>(433,157)</u>
Operating profit			155,474		131,721
Other interest receivable and similar income			10,120		5,174
Interest payable and similar charges	3		(5,188)		(1,183)
Profit on ordinary activities before taxation	4		160,406		135,712
Tax on profit on ordinary activities	5		(55,258)		(42,313)
Profit on ordinary activities after taxation			105,148		93,399
Extraordinary items	6		(4,287)		—
Profit for the financial year attributable to shareholders of Amstrad plc	18		100,861		93,399
Dividends paid and proposed	7		(7,903)		(3,816)
Profit retained for the year	19		<u>92,958</u>		<u>89,583</u>
Earnings per share					
Based on profit on ordinary activities after taxation	8		<u>18.99p</u>		<u>17.13p</u>

The notes on pages 14 to 20 form part of these financial statements.



Consolidated Balance Sheet at 30th June, 1988
Amstrad plc

	Note	1988		1987	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		469		284
Tangible assets	10		22,949		11,620
Investments	11		1,167		980
			<u>24,585</u>		<u>12,884</u>
Current assets					
Stocks	12	122,142		95,687	
Debtors	13	145,011		68,520	
Cash at bank and in hand		186,673		107,630	
		<u>453,826</u>		<u>271,837</u>	
Creditors: amounts falling due within one year	15	<u>(222,232)</u>		<u>(105,202)</u>	
Net current assets			<u>231,594</u>		<u>166,635</u>
Net assets			<u>256,179</u>		<u>179,519</u>
Capital and reserves					
Called up share capital	16		27,812		27,260
Share premium account	17		12,612		—
Other reserves	19		1,204		1,204
Profit and loss account	19		214,551		151,055
Shareholders' funds			<u>256,179</u>		<u>179,519</u>

These financial statements were approved by the board of directors on 28th September, 1988.

} Directors

The notes on pages 14 to 20 form part of these financial statements.



Balance Sheet at 30th June, 1988
Amstrad plc

	Note	1988		1987	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		439		284
Tangible assets	10		10,488		8,933
Investments	11		26,604		1,921
			<u>37,531</u>		<u>11,138</u>
Current assets					
Stocks	12	51,922		76,331	
Debtors	13	113,924		39,963	
Cash at bank and in hand		93,300		15,121	
			<u>259,146</u>		<u>161,415</u>
Creditors: amounts falling due within one year	15	(101,914)		(78,077)	
Net current assets			<u>157,232</u>		<u>83,338</u>
Net assets			<u>194,763</u>		<u>94,476</u>
Capital and reserves					
Called up share capital	16		27,812		27,260
Share premium account	17		12,612		—
Profit and loss account	19		154,339		67,216
Shareholders' funds			<u>194,763</u>		<u>94,476</u>

The financial statements were approved by the board of directors on 28th September, 1988.

Directors

The notes on pages 14 to 29 form part of these financial statements.

Consolidated Statement of Source and Application of Funds

for the year ended 30th June, 1988

Amstrad plc



	1988 £000	1987 £000
Source of funds		
Profit on ordinary activities before taxation	160,406	135,712
Adjustments for items not involving the movement of funds:		
Depreciation of intangible and tangible fixed assets	2,759	1,613
Profits retained in associated company	(145)	—
Loss on sale and write off of intangible and tangible fixed assets	1,140	32
Exchange differences	135	1,527
Total generated from operations	<u>164,295</u>	<u>138,884</u>
Funds from other sources		
Shares issued in part consideration of the acquisition of subsidiaries*	13,164	—
Proceeds from disposal of tangible fixed assets	49	64
Proceeds from sale of investment	358	—
Total source of funds	<u>177,866</u>	<u>138,948</u>
Application of funds		
Cost of intangible assets*	(693)	(366)
Purchase of tangible fixed assets*	(14,905)	(5,647)
Purchase of other investments*	(400)	—
Purchase of goodwill on acquisition of subsidiaries*	(30,052)	—
Tax paid	(37,459)	(24,016)
Dividends paid	(4,951)	(2,153)
Acquisition of Fidelity brand name	(3,100)	—
Termination of overseas distributorships	(1,187)	—
Investment in associated company	—	(980)
Total application of funds (excluding working capital)	<u>(92,747)</u>	<u>(33,462)</u>
	<u>85,119</u>	<u>105,486</u>
Movement in working capital		
Increase in stocks*	(26,455)	(62,410)
Increase in debtors and bills receivable*	(78,922)	(22,572)
Increase in creditors and bills payable*	42,080	14,592
Total movement in working capital	<u>(63,297)</u>	<u>(70,390)</u>
Movement of net liquid funds*	<u>21,822</u>	<u>35,096</u>

Net liquid funds represent cash at bank less bank loans and overdrafts.

*Summary of the effects of the acquisition of Vidco Inc. and Indescomp S.A.

Net assets acquired		Discharged by	
	£000		£000
Fixed assets — Intangible	45	Shares issued	13,164
— Tangible	5,114	Cash paid	11,127
— Investments	400		
Goodwill	30,052		
Stocks	34,062		
Debtors	9,274		
Cash at bank	3,888		
Creditors	(58,544)		
	<u>24,291</u>		<u>24,291</u>



Statement of Accounting Policies

Amstrad plc

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Consolidation

The group financial statements consolidate those of the company and all subsidiaries for the financial year ended 30th June, 1988.

At the date of acquisition the fair values of the net assets, excluding goodwill of the subsidiary are determined and these values are incorporated in the consolidated financial statements. Any excess of the cost of investment over the net assets of the subsidiary that remains after this valuation is written off to retained profits.

c) Depreciation

Depreciation is provided on tangible fixed assets, at cost, on a straight line basis at annual rates based on the estimated economic lives of the tangible fixed assets as follows:

Freehold buildings	2%
Plant, machinery and tooling	10%-50%
Fixtures and fittings, vehicles and equipment	10%-33 1/3%

Leasehold land and buildings are amortised over 50 years, or the period of the lease, whichever is the shorter. Freehold land is not depreciated.

d) Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date, unless they are covered by forward exchange contracts where the rate of the contract is used. Translation differences are dealt with in the profit and loss account. Forward currency contracts existing at the year end which are in excess of purchase commitments and in which a gain or loss has arisen at 30th June, 1988 have been recognised as part of the profit on ordinary activities of the year.

The financial statements of the foreign subsidiary companies are translated at the rate of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets of the foreign subsidiaries at the year end rate are taken direct to retained profits.

e) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost is represented by materials and direct labour, together with an appropriate element of production overhead. Provision has been made for obsolete and slow moving stock.

f) Deferred tax

Deferred tax is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

g) Investments

Investments are stated at cost.

h) Intangible fixed assets

Intangible fixed assets comprise development costs in connection with the company's microcomputer products which are written off over eighteen months.



Notes to the Financial Statements

Amstrad plc

1. Turnover	1988 £000	1987 £000
The amount of turnover attributable to geographical areas was as follows:		
United Kingdom	265,667	222,538
France	121,156	92,808
Germany	29,805	63,912
Spain	108,563	62,481
Italy	27,015	5,155
Other European countries	30,752	36,114
Asia	4,240	3,926
Australasia	4,527	11,140
North America	33,701	13,664
	<u>625,426</u>	<u>511,798</u>

Turnover consists of the total sales invoiced to external customers during the year excluding value added tax and other sales taxes.

2. Staff costs	1988 £000	1987 £000
Directors' emoluments	991	391
The emoluments of the chairman and highest paid UK director were:	<u>130</u>	<u>105</u>

The UK directors' emoluments were distributed as follows:

Ranges of emoluments	No.	No.
£ 5,001 - £ 10,000	1	2
£ 10,001 - £ 15,000	—	1
£ 15,001 - £ 60,000	—	1
£ 60,001 - £ 65,000	1	1
£ 65,001 - £ 70,000	1	2
£ 80,001 - £ 85,000	1	—
£ 85,001 - £ 90,000	2	—
£100,001 - £105,000	—	1
£125,001 - £130,000	1	—
	<u>1</u>	<u>—</u>

The number of group employees, other than directors and those who worked wholly or mainly outside the United Kingdom whose remuneration was in excess of £30,000, were as follows:

Ranges of remuneration	No	No.
£30,001 - £35,000	1	1
£35,001 - £40,000	—	1
£40,001 - £45,000	2	—
£45,001 - £50,000	3	2
	<u>3</u>	<u>2</u>

Wages and salaries including directors' emoluments	£000	£000
Social security costs	13,140	6,423
	2,641	838
	<u>15,781</u>	<u>7,261</u>

These costs were in respect of the average number of employees during the year as follows:

Production	No.	No.
Sales, distribution and administration	557	519
	867	356
	<u>1,424</u>	<u>875</u>



Notes to the Financial Statements (continued)

Amstrad plc

3.	Interest payable and similar charges	1988	1987
		£000	£000
	Interest payable on borrowings wholly repayable within 5 years	5,188	1,183
4.	Profit on ordinary activities before taxation is after charging:	1988	1987
		£000	£000
	Depreciation of tangible and intangible fixed assets	2,759	1,613
	Auditors' remuneration	220	116
	Hire of plant and machinery	68	37
5.	Tax on profit on ordinary activities	1988	1987
		£000	£000
	United Kingdom corporation tax at 35% (1987 — 35%) based on the profit for the year	51,109	28,921
	Double tax relief	(1,166)	—
	Deferred tax (note 14)	1,610	2,273
	Overseas tax	3,705	11,119
		55,258	42,313
6.	Extraordinary items	1988	1987
		£000	£000
	Write-off of cost of Fidelity brand name	3,100	—
	Termination of overseas distributorships	1,187	—
		4,287	—
7.	Dividend		
	The directors propose a final dividend of 1.00p (1987 — 0.50p) per ordinary share, which together with the interim dividend of 0.40p (1987 — 0.20p) per ordinary share paid on 11th April, 1988 makes a total distribution of 1.40p (1987 — 0.70p) per ordinary share in respect of the year ended 30th June, 1988. This is equivalent to 1.87p (1987 — 0.97p) per ordinary share with the related tax credit at the current rate of 25/75ths (1987 — 27/73rds).		
8.	Earnings per share		
	The calculation of earnings per share is based on profit after tax before extraordinary items, on the ordinary shares in issue at 30th June, 1988 as adjusted to reflect the share issues on 31st August, 1988 and, on 30th September, 1988 to give a weighted average of 553,669,570 shares.		
9.	Intangible fixed assets	Consolidated	Company
		£000	£000
	Development costs:		
	Cost		
	At 1st July, 1987	883	883
	Amounts capitalised in the year	648	635
	Additions on acquisition	45	—
	Amounts fully written down/disposed	(526)	(498)
	At 30th June, 1988	1,050	1,020
	Amortisation		
	At 1st July, 1987	599	599
	Charged in year	479	479
	Amounts fully written down/disposed	(497)	(497)
	At 30th June, 1988	581	581
	Net book value		
	At 30th June, 1988	469	439
	Net book value		
	At 30th June, 1987	284	284

10. Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant, machinery and tooling	Fixtures, fittings, vehicles and equipment	Total
CONSOLIDATED	£000	£000	£000	£000	£000
Cost at 1st July, 1987	7,063	1,139	1,678	3,734	13,614
Exchange differences	—	(63)	(27)	(72)	(162)
Additions on acquisition	4,058	529	70	770	5,427
Additions	3,602	—	2,992	3,197	9,791
Disposals	(595)	(529)	(576)	(262)	(1,962)
Cost at 30th June, 1988	14,128	1,076	4,137	7,367	26,708
Depreciation at 1st July, 1987	290	13	661	1,030	1,994
Exchange differences	—	(1)	(10)	(15)	(26)
Additions on acquisition	64	62	39	148	313
Charged in year	188	22	964	1,106	2,280
On disposals	(71)	(62)	(570)	(99)	(802)
Depreciation at 30th June, 1988	471	34	1,084	2,170	3,759
Net book value At 30th June, 1988	13,657	1,042	3,053	5,197	22,949
Net book value At 30th June, 1987	6,773	1,126	1,017	2,704	11,620
COMPANY					
Cost at 1st July, 1987	7,063	—	1,172	2,171	10,406
Additions	193	—	2,260	436	2,889
Disposals	—	—	(385)	(81)	(466)
Cost at 30th June, 1988	7,256	—	3,047	2,526	12,829
Depreciation at 1st July, 1987	290	—	473	710	1,473
Charged in year	113	—	730	450	1,293
On disposals	—	—	(385)	(40)	(425)
Depreciation at 30th June, 1988	403	—	818	1,120	2,341
Net book value At 30th June, 1988	6,853	—	2,229	1,406	10,488
Net book value At 30th June, 1987	6,773	—	699	1,461	8,933

Notes to the Financial Statements (continued)

Amstrad plc

11. Investments	Consolidated		Company	
	1988 £000	1987 £000	1988 £000	1987 £000
Shares in subsidiaries at cost	—	—	25,479	941
Shares in associated company at cost	1,125	980	1,125	980
Other fixed asset investments at cost	42	—	—	—
At 30th June, 1988	1,167	980	26,604	1,921
			Other	fixed asset
Movements in the year			Shares in	Shares in
			subsidary	associate
			£000	£000
At 1st July, 1987			941	980
Share of post acquisition profit			—	145
Additions			24,538	—
Disposals			—	—
				(358)
At 30th June, 1988			25,479	1,125
				42

The following information relates to the company's wholly owned subsidiaries, and associated company.

Name of subsidiary	Percentage of allotted capital owned	Country of incorporation
Amstrad International (Hong Kong) Limited (and its subsidiary)	100%	Hong Kong
Amstrad Microtronics (Mfg) Ltd	100%	Hong Kong
Amstrad International S.A.	100%	France
Amstrad Distribution Limited	100%	England
Amstrad Inc.	100%	U.S.A.
Amstrad Espana S.A.	100%	Spain
Amstrad SpA	100%	Italy
Amstrad B.V.	100%	Holland
Amstrad Pty Ltd.	100%	Australia
Amstrad (Belgium) S.A.	100%	Belgium
Amstrad GmbH	100%	Germany
Name of associated company		
Funai Amstrad Ltd	49%	England

12. Stocks	Consolidated		Company	
	1988 £000	1987 £000	1988 £000	1987 £000
The amounts attributed to the different categories are as follows.				
Raw materials and consumables	25,367	16,560	17,492	13,999
Work in progress	1,478	491	1,302	145
Finished goods and goods for resale	95,297	78,836	33,128	62,187
	122,142	95,687	51,922	76,331

13. Debtors	Consolidated		Company	
	1988 £000	1987 £000	1988 £000	1987 £000
Trade debtors and bills of exchange receivable	130,629	51,809	25,489	14,826
Amounts owed by group companies	—	—	81,902	20,123
Other debtors	12,115	9,343	5,535	3,190
Prepayments	931	601	34	30
Deferred taxation (note 14)	1,336	1,934	964	1,794
Overseas taxation	—	1,833	—	—
	145,011	68,520	113,924	39,963

14	Deferred taxation	Consolidated		Company	
		£000		£000	
	Asset at 1st July, 1987	1,934		1,794	
	Charged to profit and loss account (note 5)	(1,610)		(1,713)	
	Addition on acquisition	129		—	
	Movement on advanced corporation tax recoverable	883		883	
	Asset at 30th June, 1988 (note 13)	<u>1,326</u>		<u>964</u>	
	The deferred asset represents:	Consolidated		Company	
		1988	1987	1988	1987
		£000		£000	
	Capital allowances in excess of depreciation	(766)		(446)	
	Advance corporation tax recoverable	1,893		1,010	
	Short-term timing differences	209		(163)	
		<u>1,336</u>		<u>964</u>	
		<u>1,934</u>		<u>1,794</u>	
15.	Creditors: amounts falling due within one year	Consolidated		Company	
		1988	1987	1988	1987
		£000		£000	
	Bank loans and overdrafts	70,583		16,436	
	Trade creditors	10,336		6,851	
	Bills of exchange payable	40,554		5,498	
	Amounts owed to group companies	—		15,418	
	Amounts owed to associated company	2,069		523	
	UK corporation tax	54,244		53,041	
	Other taxation and social security costs	1,493		154	
	Overseas taxation	8,263		—	
	Other creditors	19,062		6,190	
	Accruals and deferred income	9,950		7,257	
	Dividend proposed	5,678		2,726	
		<u>222,232</u>		<u>101,914</u>	
		<u>105,202</u>		<u>78,077</u>	
16.	Called up share capital	30th June, 1988		30th June, 1987	
		Ordinary shares of 5p each		Ordinary shares of 5p each	
		Shares		Shares	
		£000		£000	
	The authorised share capital comprised:	720,000,000		720,000,000	
		36,000		36,000	
	Of which the following were allotted, issued and fully paid up:				
	At 1st July, 1987	545,208,330		545,208,330	
	Acquisition issue 31st August, 1987	2,222,222		—	
	Acquisition issue 30th September, 1987	8,812,517		—	
	At 30th June, 1988	<u>556,243,069</u>		<u>545,208,330</u>	
		<u>27,812</u>		<u>27,260</u>	
	As part consideration for the acquisition of the entire issued share capital of Vidco Electronics Inc and Indescomp S.A., Amstrad plc issued 2,222,222 and 8,812,517 ordinary shares of 5p each respectively.				
17.	Share premium account	£000			
	Balance 1st July, 1987	—			
	Arising on acquisition issues:	12,612			
	Balance 30th June, 1988	<u>12,612</u>			



Notes to the Financial Statements (continued)

Amstrad plc

18. Profit for the financial year

As permitted by Section 228(7) of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit for the financial year includes £95.0 million (1987 — £50.0 million) which is dealt with in the financial statements of the parent company.

19. Reserves

	Consolidated		Company
	Other reserves £000	Profit and loss account £000	Profit and loss account £000
At 1st July, 1987	1,204	151,055	67,216
Profit retained for the year	—	92,958	87,123
Reduction in net assets of subsidiary to fair market value at date of acquisition	—	(30,052)	—
Foreign exchange translation differences	—	590	—
At 30th June, 1988	<u>1,204</u>	<u>214,551</u>	<u>154,339</u>

20. Future capital expenditure of the group

	1988 £000	1987 £000
Contracted for but not provided in the financial statements	1,585	—
Authorised but not contracted for	<u>4,479</u>	<u>—</u>

21. Share Option Scheme

There is a Share Option Scheme for the directors and senior employees and the scheme options are normally exercisable between the third and tenth anniversary of the date of grant. No options were exercised under this scheme during the year. Options on shares granted under this scheme are as follows:

Date of grant	Price per fully paid share	Normal dates of exercise	No. of ordinary shares
23rd July, 1985	13.6p	1988 – 1995	11,845,000
22nd February, 1986	64.8p	1989 – 1996	399,115
31st October, 1986	120.0p	1989 – 1996	953,074
27th February, 1987	157.0p	1990 – 1997	62,044
7th March, 1988	135.0p	1991 – 1998	3,071,495

Since the year end options for 11,551,000 shares under the 23rd July, 1985 share option have been exercised.

22. Contingent liabilities

Amstrad plc has guaranteed the overdraft facilities of subsidiary and associated companies to the extent of £53.4 million (1987 — £22.8 million).

Amstrad plc has, as part of the acquisition consideration of Indescomp S.A., a potential liability to pay the sum of £7,000,000 if substantial profit targets are achieved by the group on sales in Spain.

Amstrad plc has, as part of the acquisition consideration of Vidco Electronics Inc. underwritten the value of the consideration shares at 20th August, 1992 to be not less than US\$8,000,000. Any shortfall is to be extinguished by the issue of further Amstrad plc shares. At 28th September, 1988 no liability arises.



Shareholder Information

Amstrad plc

The distribution of ordinary shares as at 20th September, 1988 was:

Size of shareholding	Number of shareholders	%	Shares held	%
1 — 500	6,317	32.0	2,159,073	0.4
501 — 1,000	5,550	28.2	4,768,495	0.8
1,001 — 5,000	5,914	30.1	14,283,120	2.5
5,001 — 10,000	846	4.3	6,652,492	1.2
10,001 — 25,000	445	2.3	7,378,259	1.3
25,001 — 50,000	172	0.9	6,446,916	1.1
50,001 — 100,000	138	0.7	10,383,569	1.8
100,001 — 250,000	143	0.7	23,943,519	4.2
over 250,000	154	0.8	491,778,626	86.7
Total	<u>19,679</u>	<u>100.0</u>	<u>567,794,069</u>	<u>100.0</u>

The classification of ordinary shares as at 20th September, 1988 was:

	Number of shareholders	%	Shares held	%
Banks & Nominees	1,749	8.9	168,031,514	29.6
Insurance	59	0.3	36,967,405	6.5
Pension Funds	37	0.2	21,529,430	3.8
Other Corporate Bodies	1,244	6.3	43,846,822	7.7
Individuals	16,590	84.3	297,418,898	52.4
Total	<u>19,679</u>	<u>100.0</u>	<u>567,794,069</u>	<u>100.0</u>

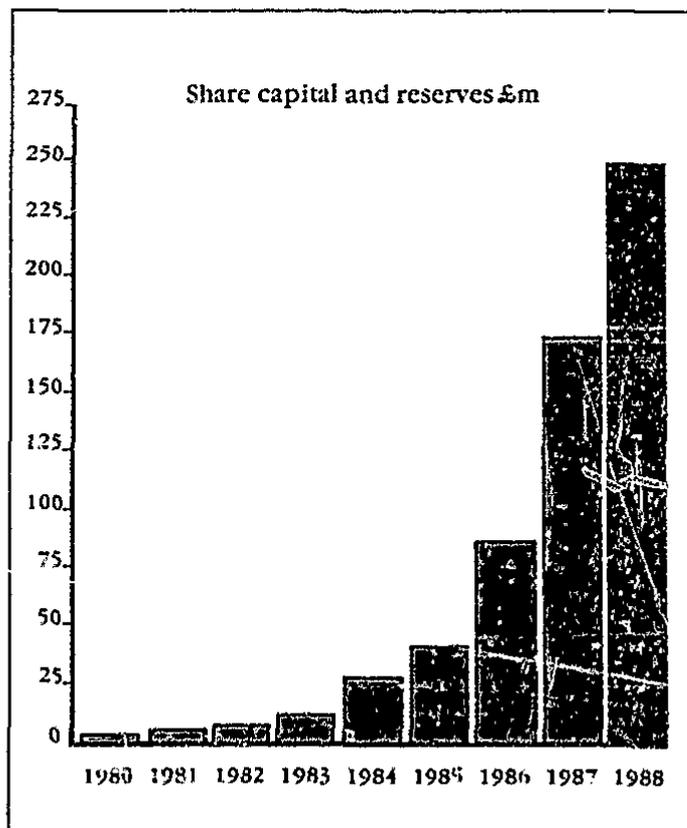
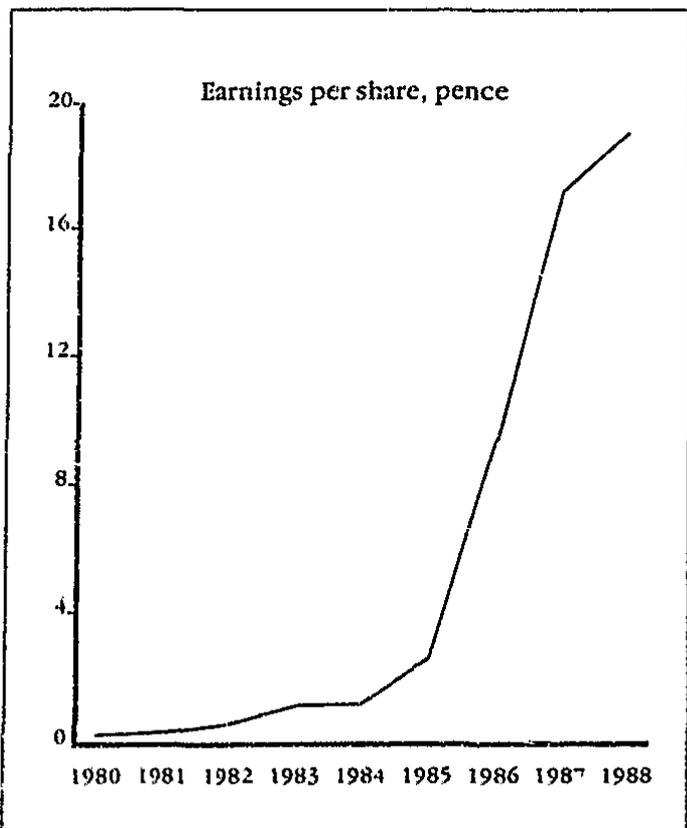
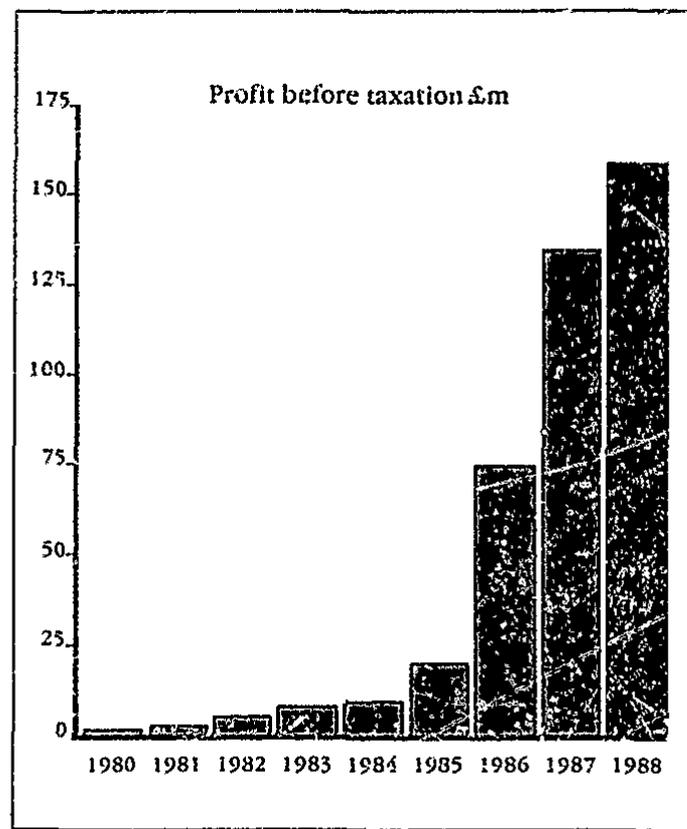
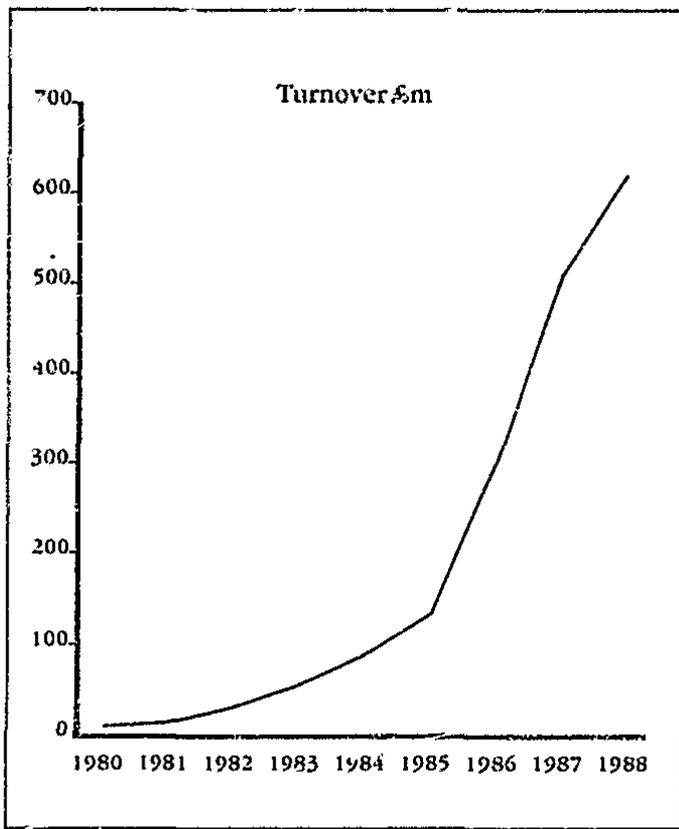


Financial Record as a Public Company

Note	1980	1981	1982	1983	1984	1985	1986	1987	1988
Turnover (excluding VAT) (£m)	8.8	14.1	28.1	51.8	84.9	136.1	304.1	511.8	625.4
Profit before taxation (£m) 1	1.4	2.4	4.8	8.0	9.1	20.2	75.3	135.7	160.4
Profit after taxation (£m) 1	1.1	1.2	2.6	5.3	5.7	14.0	52.0	93.4	105.1
Dividends pence/share (incl. tax credit) 2	0.06	0.11	0.14	0.16	0.19	0.27	0.49	0.97	1.87
Dividend cover (times) 3	5	3	6	10	8	14	27	24	14
Retained profit for the year (£m)	0.8	1.1	2.4	5.1	5.0	12.9	47.2	89.6	93.0
Earnings pence/share after tax 2	0.22	0.26	0.54	1.12	1.17	2.57	9.54	17.13	18.99
Share capital and reserves (£m)	3.7	4.8	7.2	12.3	29.2	42.2	88.1	179.5	256.2
Key Ratios									
Turnover growth over prior year	56.5%	61.2%	98.6%	84.6%	64.0%	60.2%	123.5%	68.3%	22.2%
Profit before tax over prior year	49.9%	74.6%	100.8%	68.6%	13.3%	121.1%	273.5%	80.3%	18.2%
Profit before tax as a percentage of sales	15.5%	16.8%	17.0%	15.5%	10.7%	14.8%	24.8%	26.5%	25.6%

Notes:

1. Profit figures other than retained earnings exclude extraordinary items.
2. As adjusted to reflect the 1 for 1 capitalisation issue on 25th November, 1982, the 4 for 1 bonus issue on 4th November, 1983, the 1 for 6 rights issue on 11th May, 1984 and the 4 for 1 capitalisation issue on 2nd June, 1986.
3. Calculated before waiver of dividends for years 1980 to 1983 by A. M. Sugar.





Amstrad Group Operating Companies

UK and Group

Amstrad plc
Brentwood House,
169 Kings Road,
Brentwood,
Essex CM14 4EF

Amstrad Distribution Limited

Units 23/24,
Rosevale Road,
Parkhouse Industrial Estate,
Chesterton,
Newcastle,
Staffs. ST5 7QS

Funai Amstrad Limited

Unit 14,
Campfield Road,
Shoeburyness,
Essex SS3 9BZ

Hong Kong

Amstrad International (Hong Kong) Limited

Unit No. 9,
12th Floor,
Tower A,
Hung Hom Commercial Centre,
37-39 Ma Tau Wai Road,
Hung Hom,
Kowloon,
Hong Kong

Amstrad Microtronics (Mfg) Limited

5th Floor,
Kwong Luen Tai Industrial Building,
54-56 Tsun Yip Street,
Kwun Tong,
Kowloon,
Hong Kong

France

Amstrad International SA

72-78 Grand Rue,
92310 Sevres,
Paris,
France

USA

Amstrad Inc
1915 Westridge Drive,
Irving,
Texas 75038,
USA

Italy

Amstrad SpA
Via Riccione 14,
20156 Milan,
Italy

Spain

Amstrad Espana S.A.
Aravaca 22,
28040 Madrid,
Spain

Germany

Amstrad GmbH
Robert-Koch-Strasse 5,
D-6078 Neu-Isenburg,
West Germany

Australia

Amstrad Pty Limited
19A Boundary Street,
Rushcutters Bay,
Sydney,
New South Wales 2011,
Australia

Belgium

S.A. Amstrad Belgium N.V.
Excelsiorlaan 51,
B-1930 Zaventem,
Belgium

Holland

Amstrad B.V.
Zeisteroever 7,
3704 GB Zeist,
Holland